

Transit Benefit

Section 132(f) of the United States Internal Revenue Code provides a way for employers to provide parking, transit, vanpool, and bicycle expenses on a tax-free basis. In 2018, Congress passed legislation to establish parity between the parking benefit and the transit/vanpool benefit. The monthly cap for the parking, transit, and vanpool benefits are now at \$260/month and both are subject to annual cost of living increases. The bicycle benefit is no longer eligible as a tax free benefit.

The transit benefit is a highly effective and easy tool for employers to provide options for their employees. The transit benefit helps reduce congestion, increase transit ridership, and improve air quality.

The transit benefits can be offered one of three ways:

- **Pre-Tax** – Employees elect to withhold funding from their paycheck. Those funds are used to purchase fare media for transit or vanpools. The employee is not taxed on the funding withheld and the employer does not pay employment taxes on those funds.
- **Subsidy** – Employers provide transit or vanpool media in addition to salary. The employee is not taxed on the additional value of the fare media and the employer does not pay employment taxes on those funds.
- **Combination** – Employers subsidize a portion of a commuter's expenses and the employee withholds an additional amount based on the need and the monthly cap.

Please check with your tax advisor.

To review the IRS' Employer Tax Guide to Fringe Benefits, go to: <http://www.irs.gov/pub/irs-pdf/p15b.pdf>